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China's rare earth chokehold may open some doors for India

Synopsis
India is strategically positioning itself as a key player in the rare earth elements (REE) market, aiming for self-reliance amidst geopolitical tensions and China's dominance. With substantial reserves and government initiatives like the National Critical Mineral Mission, India is fostering domestic mining, processing, and magnet manufacturing.

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India appears to be on the verge of a significant industrial transformation, with rare earth elements (REEs) and other critical minerals taking centre stage. The nation's strategic push towards self-reliance, spurred by geopolitical tensions and China's near-monopoly on rare earths, presents a compelling opportunity for investors.

The effort aims to leverage India's substantial natural resources to support its growing electric vehicle (EV), renewable energy and defence sectors.

The geopolitical crucible

The global rare earth market, heavily dominated by China, has come under intense scrutiny due to export restrictions and trade disputes. According to CNBC, China controls an estimated 90% of the global rare earth magnet market. This dominance was highlight in April 2025 when China tightened export licensing for critical REEs like terbium and dysprosium, elements essential to Neodymium-Iron-Boron (NdFeB) magnets used in EV motors, wind turbines and defence systems.

Notably, while China remains the dominant player, its share of global rare earth mining is projected to decline to 51%, and refining to 76% by 2030, as global supply chains diversify, according to a report by CareEdge Global.

As Amit Gupta, Executive Group Vice President at Motilal Oswal Private Wealth, told ET Now, the recent geopolitical crises are catalysing the emergence of new sectors in Indian markets.

Also Read: Rare earth, copper mining: What lies in store for India investors? Amit Gupta explains

Gupta notes that while India previously stayed away from rare earth mining due to environmental concerns, the global scenario now positions India, home to 8% of the world's rare earth reserves, as a key player.

"Rare earth is coming as that kind of opportunity... the reserves are almost 250 times higher than what is being mined now," Gupta says.

This shift is encouraging countries to diversify rare earth supply chains, creating strategic openings for resource-rich nations like India.

India's untapped potential

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Although China holds the largest REE deposits at 44 million tonnes, India's 6.9 million tonnes give it the third-largest share globally, according to the U.S. Geological Survey. India also possesses about 35% of the world's beach and sand mineral deposits, as per an EY report. These reserves are especially significant for high-performance applications in EVs, electronics, and defence.

Gracelin Baskaran, Director of the Critical Minerals Security Program at CSIS, told CNBC that India is "poised to play a key role in building a more diversified global rare earths supply chain." However, despite its endowment, India's output has remained low, just 2,900 tonnes annually from 2012 to 2024, per Statista.

CNBC, citing Abhijit Kulkarni of EY Parthenon, attributes this gap to limited refining technologies, insufficient technical expertise, and inadequate mining infrastructure. Baskaran notes that while India cannot displace China, it can certainly serve as a vital alternate source of supply.

To address these limitations, CNBC-TV18 reports that the government is exploring partnerships between IREL (India) Ltd. and the private sector, alongside incentives and capital subsidies to enhance domestic mining and processing.

Regulatory and institutional challenges

India's rare earth resources are primarily found in monazite-rich coastal deposits in Andhra Pradesh, Odisha, Tamil Nadu, Kerala, and West Bengal, with smaller reserves in Jharkhand, Gujarat, and Maharashtra, according to the Financial Express. Despite institutional support from Indian Rare Earths Limited (IREL), the end-to-end value chain, from extraction to magnet manufacturing, remains underdeveloped.

The Atomic Energy Act, 1962, which designates monazite as a "prescribed substance" due to its thorium content, reserves mining of these minerals for public sector entities. This legal framework has historically excluded private participation, limiting scaling opportunities.

India must now evolve beyond producing REE oxides to manufacturing value-added products like rare earth metals. This requires focused R&D, global collaborations and specialised industrial zones.

Strategic global partnerships

India is strengthening international collaborations to build more resilient rare earth supply chains, with Australia emerging as a key strategic partner. As the world's fourth-largest producer of rare earth elements (REEs), Australia plays a central role in this effort.

Under the India–Australia Critical Minerals Investment Partnership, established through a Memorandum of Understanding (MoU) signed in March 2022 between Khanij Bidesh India Ltd (KABIL) and Australia's Critical

Minerals Facilitation Office, India is exploring investments in Australian rare earth projects, according to the Press Information Bureau (PIB).

According to a July 9 report by The Economic Times, India is actively in discussions with Australia to secure access to rare earth minerals, amid a global shortage of rare earth magnets triggered by China's tightening of export controls.

"They [India and Australia] are talking about rare earth, and there are blocks available," said Malini Dutt, Trade and Investment Commissioner for the New South Wales Government in Australia. "So there is an opportunity for India to take an early-stage block and have tie-ups with a few companies."

In addition, the CSIRO-led India–Australia Critical Minerals Research Partnership, funded through 2026, supports joint research and development across the entire value chain, from exploration and processing to recycling. These initiatives are further reinforced by the broader India–Australia Comprehensive Strategic Partnership and the Quad's minerals cooperation framework.

Lessons from Japan

Japan's experience following China's 2010 export halt offers valuable insights. The embargo, stemming from a territorial dispute, disrupted Japan's manufacturing sector. In response, Japan invested in Australia's Lynas Rare Earths via the Japan Australia Rare Earths (JARE) joint venture, securing $450 million in funding over the years.

This strategic move helped Japan reduce its dependence on Chinese REEs from over 90% to around 58% by 2022, as per Quartz. India can learn from this state-led, targeted approach to supply chain diversification.

National Critical Mineral Mission (NCMM)

In 2025, India launched the National Critical Mineral Mission (NCMM), according to PIB. The mission aims to bolster self-reliance in critical minerals through exploration, mining, processing, and recycling. The Geological Survey of India (GSI) will conduct 1,200 exploration projects by 2030-31.

Efforts include auctions for 100+ mineral blocks, exploration of offshore polymetallic nodules, and relaxed rules to enable mineral recovery from secondary sources like fly ash and red mud. A fast-track approval mechanism and a new Exploration Licence are also being introduced.

A Centre of Excellence on Critical Minerals (CECM) is proposed to guide policy and keep the critical minerals list updated.

IREL's expanding role

IREL (India) Ltd., under the Department of Atomic Energy, holds a near-monopoly on India's REE mining and processing. It achieved a record production of 531,000 tonnes in FY24, as per Outlook Business. The **Rare Earth Extraction Plant** in Odisha saw a 9.8% increase in chemical output.

IREL has begun manufacturing rare earth magnets and metals at its Visakhapatnam and Bhopal facilities. These are being tested by BARC and DMRL, as reported by Financial Express. The company also plans to supply around 500 tonnes of raw materials to OEMs.

To diversify supply chains, IREL is scouting for REE resources in Oman, Vietnam, Sri Lanka, and Bangladesh, per Times of India. However, expansion has been hampered by delays in mining permits and environmental clearances, along with CRZ guidelines.

Overseas acquisitions
Through KABIL, a joint venture of three PSUs, India is acquiring overseas mineral assets. Prime Minister Narendra Modi's visits to Argentina and Brazil, part of the lithium-rich "Triangle," underscore this push.

Key initiatives:

On January 15, 2024, KABIL signed an agreement with Argentina's CAMYEN SE for lithium exploration over 15,703 hectares.

In March 2022, KABIL signed an MoU with Australia's Critical Mineral Office.

Due diligence is underway for lithium and cobalt projects in Australia.

Downstream opportunities
While direct mining of radioactive REEs remains a PSU domain, private companies are increasingly eyeing downstream activities like magnet manufacturing. The Mines and Minerals (Development and Regulation) Act, 2023, now permits private exploration of non-radioactive rare earths.

According to Economic Times, 13 acreages have already been auctioned. India's domestic rare earth magnet demand surged from 12,400 tonnes in FY21 to nearly 54,000 tonnes in FY25. The market is projected to hit USD 993 million by 2033.

To support this, the government is finalising a Rs 3,500–Rs 5,000 crore Production-Linked Incentive (PLI) scheme. An initial Rs 1,000 crore outlay aims to boost domestic magnet production to 1,500 tonnes.

Notable private players include:

Sona Comstar plans to begin magnet production by end-2025 (ET).

Vedanta and Hindustan Zinc are exploring serious entry into this space, driven by demand from EVs and defence sectors (Outlook Business, July 1, 2025).

Midwest Advanced Materials Pvt Ltd, Hyderabad, has received Ministry of Science and Technology support for local magnet production (Times of India, June 21, 2025).

Challenges and future strategy
Despite momentum, challenges remain. Legal restrictions from the Atomic Energy Act, 1962, limit the role of private entities in mining radioactive REEs. Moreover, many of India's reserves are lean and complex to extract. The economics are also challenging, though imports rose 88% to 53,700 tonnes in FY25, their value increased just 5% to Rs 1,744 crore, as per Times of India.

Beyond rare earths
India's ambition extends to a wider basket of critical minerals. The NCMM identifies 30 critical minerals, including lithium, cobalt and nickel, essential for EV batteries and clean energy. The EV market is projected to hit 6.3 million units by 2027, with wind energy capacity rising from 42 GW to 140 GW by 2030 (ET).

According to PIB, India aims to reduce its GDP's emissions intensity by 45% by 2030 (from 2005 levels), achieve 50% electric power capacity from non-fossil sources by 2030, and reach net-zero emissions by 2070.

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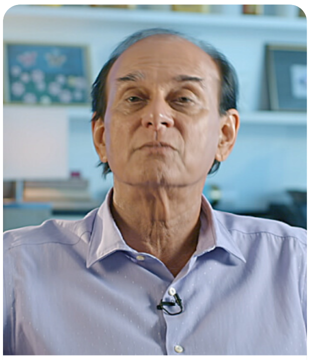

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Top alternatives to fixed deposits for higher returns

ET Spotlight Last Updated: Sep 15, 2025, 01:44:00 PM IST

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Synopsis

With inflation eroding fixed deposit returns, Indian savers are exploring alternatives like government bonds, corporate bonds, and NBFC FDs. A diversified portfolio, balancing risk and return, can significantly outperform traditional FDs. Digital platforms now offer easy access to these fixed-income instruments, empowering investors to achieve better growth without sacrificing safety.

For decades, fixed deposits (FDs) were the go-to choice for Indian savers seeking safety and certainty. Rolling over FDs at maturity was a routine decision, driven by the belief that these instruments provided reliable returns. However, in today's financial landscape, this approach is being challenged.

As of September 2025, top bank FDs offer yields in the range of 6.25%–7.1%. With inflation hovering around 5.3%–6%, the real returns from FDs have eroded significantly. Savers now face the uncomfortable reality that their money isn't growing fast enough to keep pace with rising living costs.

This evolving scenario makes it imperative to explore wiser, short- to medium-term alternatives that deliver stability, higher returns, and flexibility. Among these, bonds, especially investment-grade corporate bonds, stand out as a compelling solution.

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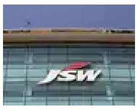

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Why FDs are losing their shine

For earlier generations, FDs represented reliability, and their returns were inflation-proof. In fact, until just a decade ago, FDs were a safe and smart investment option. Today’s reality, however, tells a different story.

- **Stagnant rates:** Most bank FDs for general customers offer 6.25%–7.1% depending on tenure and institution (as of September 2025).
- **Inflation drag:** With inflation in the 5.3%–6.0% range over the last year, the real return barely moves the needle.

The combination of lower yields and high inflation reduces the capital-preserving ability of FDs. Once seen as the foundation of financial security, they now risk becoming a slow leak in long-term investments.

This raises the pressing question of whether FDs are still viable for our future, or is it time to explore the best alternative investments to FDs?

The expanding world of FD alternatives

The good news for Indian investors today is that they have access to a wide range of fixed-income products that strike a balance between safety and superior returns. These instruments are tightly regulated, non-volatile, offer fixed returns, carry relatively lower risk, and are designed to deliver better-than-FD outcomes.

Government and PSU bonds: Low risk, modest growth

At the lower end of the risk spectrum, government securities, such as G-Secs, State Development Loans (SDLs), and Public Sector Undertaking (PSU) bonds, remain highly attractive.

With sovereign backing, G-Secs offer stable returns of around 7%–7.5% and virtually zero default risk. SDLs and PSU bonds, issued by government-backed corporations, deliver slightly higher yields, generally in the 7.25%–8% range.

These bonds are ideal for conservative investors seeking to preserve capital over a one-to-five-year horizon while earning a predictable income. Available through RBI (Reserve Bank of India) Retail Direct and SEBI-registered OBPP (online bond platform provider) platforms, such as Jiraaf, these bonds are ideal

Market Dashboard

NSE BSE

TOP GAINERS TOP LOSERS

Hind Copper 12:34 PM | 25 Sep 2025	325.51	16.81 (5.45%)
Netweb Technologies 12:34 PM | 25 Sep 2025	3,590.50	174.10 (5.10%)
eClerx Services 12:34 PM | 25 Sep 2025	4,297.00	197.50 (4.82%)
Poly Medicure 12:34 PM | 25 Sep 2025	2,070.90	87.81 (4.43%)

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Corporate bonds: Higher yields with structured stability

Corporate bonds occupy the sweet spot in the short- to medium-term investment spectrum. Unlike FDs, which offer flat and uniform returns, corporate bonds deliver a range of yields, between 8% and 15% in 2025, depending on the issuer's credit rating and tenure.

Corporate bonds rated between AAA and BBB are classified as investment-grade corporate bonds. The AAA and AA-rated bonds are considered the least risky class of corporate bonds; therefore, they offer lower yields ranging between 8% and 9%. These bonds make the perfect safety net addition to an investor's portfolio. Meanwhile, bonds rated A and BBB, while carrying marginally higher risk, offer yields upwards of 10%–14%, compensating investors for the added credit risk. These bonds make excellent growth assets and should therefore be added to the portfolio.

The key advantage of fixed-income investments is the ability to build a laddered portfolio: by diversifying across ratings, tenures, and yields, investors can create a structure that balances regular income with capital growth, all while managing risk prudently. This makes corporate bonds well-suited for young investors starting their wealth-building journey, mid-career professionals seeking stable returns, and retirees looking for predictable income.

Regulated by SEBI and increasingly accessible via digital platforms such as Jiraaf, corporate bonds today are far easier to invest in than ever before, combining transparency with convenience.

High-yield NBFC FDs: Attractive but insured

For those who prefer the familiarity of FDs but seek higher returns, high-yield NBFC (non-banking financial company) FDs are an emerging option. Offering rates significantly higher than traditional bank FDs—often in the range of 8%–10%—these instruments cater to investors willing to explore private-sector options.

Importantly, NBFC FDs are insured up to ₹5 lakh under the Deposit Insurance and Credit Guarantee Corporation (DICGC) scheme, providing an additional layer of safety. They are suitable for investors seeking short-term placements of one to three years, offering marginally higher yields with a modest level of risk.

Bond-plus FD vs traditional FD portfolio: ₹10 lakh eturn comparison

A well-crafted mix of government bonds, corporate papers, and high-yield NBFC FDs can supercharge your short- to medium-term portfolio. Here's how ₹10 lakh invested strategically earns nearly 52% more than a traditional FD without compromising on safety.

Case A: Traditional FD
Entire ₹10,00,000 invested in a 6.5% traditional bank FD.

Annual return:
₹10,00,000 × 6.5% = ₹65,000

Objective: Safety and predictability, no volatility, low yield.

Case B: Diversified Bond-Plus FD Portfolio

Asset Class	Allocation (%)	Amount (₹)	Yield (%)	Annual Return (₹)
G-Secs and SDL (Government Securities)	20%	₹2,00,000	7%	₹14,000
AAA and AA-rated Corporate Bonds	30%	₹3,00,000	9.5%	₹28,500
A and BBB-rated Corporate Bonds	40%	₹4,00,000	12%	₹48,000
High-Yield NBFC FD	10%	₹1,00,000	8.25%	₹8,250
Total Portfolio	100%	₹10,00,000	—	₹98,750

Altogether, this diversified approach yields around ₹98,750 per year, a nearly 52% higher return than a traditional FD, while still keeping risk well-managed. For investors seeking more from their short- to medium-term savings, this balanced strategy is a more innovative way to grow wealth safely.

The road ahead: Balanced, smarter investing
Fixed deposits continue to serve as a safety anchor in many portfolios. However, relying solely on FDs risks stagnation in today's rising-cost environment. A well-structured mix of government and PSU bonds, corporate bonds, NBFC FDs, and short-term instruments, such as T-Bills (Treasury Bills), offers a pragmatic path to wealth growth.

The short- to medium-term nature of these **bond investments** makes them highly suitable for building a diversified and stable portfolio, tailored to various life stages and financial goals.

With the rise of digital investment platforms such as **Jiraaf**, accessing and managing these instruments has never been easier. Indian savers today have the opportunity to move beyond tradition and adopt a more innovative, flexible fixed-income strategy, without compromising safety or stability.

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